

Report of the King County General Government
Budget Advisory Task Force
To Executive Ron Sims

June 25, 2003

EXECUTIVE SUMMARY

King County faces a fiscal crisis. Absent dramatic changes in the way King County does business, and the availability of new revenues, *every year in the future*, County general government service budgets will be cut and service levels will suffer. As currently structured and funded, King County's general government services are not sustainable.

The funding crisis is the result of several factors:

- The County is responsible for providing an unusual mix of governmental services: mandated regional services are provided to 1.7 million County residents; and mandated local services provided to over 350,000 residents living in rural and urban unincorporated areas.
- In addition to mandated services, the County also has chosen to provide various discretionary services such as parks and human services.
- The County has an antiquated revenue structure, strictly defined by state law and recent voter initiatives, which has not kept pace with evolving service responsibilities.
- There is a serious misalignment of regional and local revenues and expenditures – to the detriment of regional services – resulting from a combination of policy choices as to how to allocate limited revenues, together with the failure (for a variety of reasons) of many urban areas to annex to cities.
- Salary and benefits costs for County employees are growing faster than revenues, a situation made more problematic by the fact that the County operates under a set of inflexible labor laws and policies.
- The County has a complex, fragmented organizational structure with inefficient internal systems.

In total, general government expenditures are projected to grow at an annual rate of between 5.5 percent and 6.5 percent a year while revenues are projected to grow at a rate of less than two percent per year. The current recession is not a cause of this crisis but it has exacerbated the challenge.

Actions have been taken to address this crisis. In the last two years, over \$90 million in cuts have been made to general government services in order to balance the budget. There are no easy budget cuts left. There is no “silver bullet” to resolve the crisis. The situation is urgent. Unless things change, the County will need to reduce services every year, given revenue constraints. Delaying action will make it much more difficult and painful in the future.

The complexity of the budget challenge, and the County organization itself, is such that despite the work of our Task Force over the last eight months, we believe it is neither appropriate nor possible for us to offer line-item budget cut recommendations. Rather, this report reflects our assessment of the current direction of the County, poses several questions for further inquiry, and recommends several policy directions and actions that we believe should guide County leaders in managing the budget crisis in the near and longer-term.

Our report presents our analysis of the current situation and recommendations in four areas: Service Priorities; Administrative and Operational Policies and Efficiencies; Alignment of Services and Revenues; and Revenues. The Task Force makes 39 recommendations in total. Our most important recommendations and conclusions are summarized below.

Service Priorities:

- We identify no general areas where King County should stop providing services. Most services provided are mandated. Others, such as parks or human services are valued public services and have strong constituencies supporting an ongoing County role. Significant savings may be achieved over time from eliminating some specific programs within general services areas or reducing the level of service.
- The County should initiate a regional dialogue to rationalize delivery of specialized police services (such as marine patrol, K-9 teams, and bomb squads). There are currently 80 such units in King County provided by the County and eight cities. We do not recommend any particular governance or delivery outcome, but we believe that significant savings are achievable to the County, cities and the region if less duplicative service delivery can be agreed upon.
- The County must seek full cost recovery on its discretionary contract services – including not only operating and overhead costs, but also capital costs.
- Budget decisions must be consistent with the County’s growth management vision. Actions should promote annexation, and reflect a lower level of service in rural areas than in urban areas.
- The County must identify a long-term regional plan for funding of important discretionary programs such as parks and human services.

Administrative and Operational Policies and Efficiencies:

- King County can become more efficient. All levels of County government, and all programs, should be engaged in identifying ways to become more efficient and eliminating duplication. Both for the real impact and symbolic impact, such action can help restore the public’s confidence in our government. Significant

effort should be made to build an organizational culture that rewards efficient service delivery.

- Because law safety and justice programs consume over 70 percent of the CX dollars, it is imperative that the County's Criminal Justice Council – composed of separately elected leaders from the courts, sheriff's office, prosecutor's office and other parts of County government – work more pro-actively to identify ways to become more efficient and control costs. We recommend immediately investigating possible savings from consolidating the administrative functions of the district and superior courts
- The County must improve the transparency of its budget, financial and operating policies. Efficiencies often flow from visibility. The budget issues must be more understandable to the public, and more clearly reflect the County's distinct roles as a regional and local service provider.
- The County must simplify, unify and streamline its management practices. Basic management systems of the County are fragmented. There are multiple financial systems and human resources systems. Basic business policies and practices of the government differ widely across the organization. The County should engage all employees in a search for improved productivity.
- The County must place a higher priority on investing in central systems technology. Unifying business practices will be necessary to take full advantage of such investment.
- The County's primary mission is to provide public service, not to provide employment. If public sector employees cannot supply services effectively or, efficiently as private or other governmental service deliverers, then contracting out those services must be considered. For example, "reverse contracting" with cities to provide services in unincorporated areas or rural areas may be a far more efficient means of delivering service within the County's physically scattered areas of local service responsibility.
- Collaboration – with other governments, as well as internally within the County organization – is an important key to securing greater efficiencies. Generally we believe there are efficiencies to be gained by working with other governments in the region – and through streamlining internal processes.

Alignment of Services Expenses and Revenues:

- Currently, local service delivery to unincorporated area residents is being significantly subsidized by regional dollars at an estimated annual rate of \$42 million in 2003. This is happening at the expense of regional services. It is a result of the unique mix of services King County is required to provide on a limited set of revenues, but is also the result of annexations and incorporations

over the last 15 years leaving a patchwork of urban service areas behind for the County. King County's own policy decisions, restricting certain general local revenues to limited purposes, also contribute to the problem. We recommend the County launch a major effort of *at most* three years in length to reduce the "urban subsidy" and encourage annexation. This effort should be funded by reprogramming existing local revenues. Cities and unincorporated urban area residents must be engaged as partners in this effort. Service levels in urban unincorporated areas must be reduced beginning in the 2004 budget – and residents must understand further reductions are inevitable. Cities must accelerate their annexation plans, and the County must make some money available to cities as a modest incentive to annex. There is urgency to this proposal: the longer the County remains in the urban service business, the longer the budget crisis will continue. Work must occur now to identify clear targets and policies for reducing local service budgets as annexations occur.

Revenues

- The County revenue structure is inadequate to meet the demands of the County's service obligations. While significant effort can be made to forestall or reduce service cuts by doing business differently, it will not be possible to maintain service levels for a growing population with revenue growth of less than two percent per year. The County must provide better information to the public about its services and its revenue challenge. And, the County must use its limited revenue and fee setting authority to address its challenges – including through full cost recovery in contract services and ensuring fees reflect the cost of service.
- The single most important action the State should take to assist the County would be to authorize it to impose a utility tax in unincorporated urban areas on the same basis as currently imposed by cities. This would be a potent fiscal tool to address local service budget subsidies – and, by creating better tax equity with cities, it would remove a potentially significant barrier to annexation. If annexations do not occur, additional revenue tools may need to be made available to residents of these areas.
- The State should grant greater fiscal autonomy to the County – particularly in setting fees for services.
- The State should also provide more direct fiscal support for critical law, safety and justice functions such as superior and district courts, indigent defense, and aggravated murder cases.

As we conclude our work, we acknowledge the ongoing efforts of several other groups addressing very similar issues. The County's Governance Commission in particular will be reviewing and we hope, building on, our recommendations. The Municipal League is studying King County's future, as is the League of Women Voters. The King County Bar Association has just completed a study on court efficiencies. In some respects, these

multiple efforts are an encouraging sign of growing public recognition that critical services provided by King County are threatened by a serious fiscal crisis. Perhaps with greater understanding, there will be better opportunity to address the crisis. Indeed, we believe all County residents, and all government jurisdictions within King County, have reason to work together to find solutions to this challenge.